



# ECONOMIC INDICATORS

MAY - JUNE 2000

## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

**A**pril was another strong month for the California economy. Impressive job growth accompanied a drop in the unemployment rate. Construction activity was also vigorous, primarily based on healthy expansion of multifamily residential activity. This strong performance is consistent with the recently upgraded economic outlook for the state.

April nonfarm employment jumped by more than 64,000, following March's anomalous 17,000 gain. In the first four months of 2000, payroll gains have averaged more than 40,000 jobs a month. On a year-over-year basis, nonfarm employment growth was up 3.2 percent in April, and based on an alternate measure that incorporates more up-to-date payroll tax data, annual growth is now running above 4 percent. Based on the official figures, more than 163,000 nonfarm jobs have been created since the beginning of the year, and a total of 434,500 have been added since April 1999.

Measured from a year ago, construction employment grew the fastest, advancing 9.1 percent by adding 61,000 new jobs. Service employment expanded by 182,400 over the year (4.2 percent). Nearly half of this growth was in business services which includes computer programming and personnel supply firms. Government and the transportation, communication, and utility industries also showed strong growth. The small mining sector was the only industry which reduced employment over the year, losing 400 jobs.

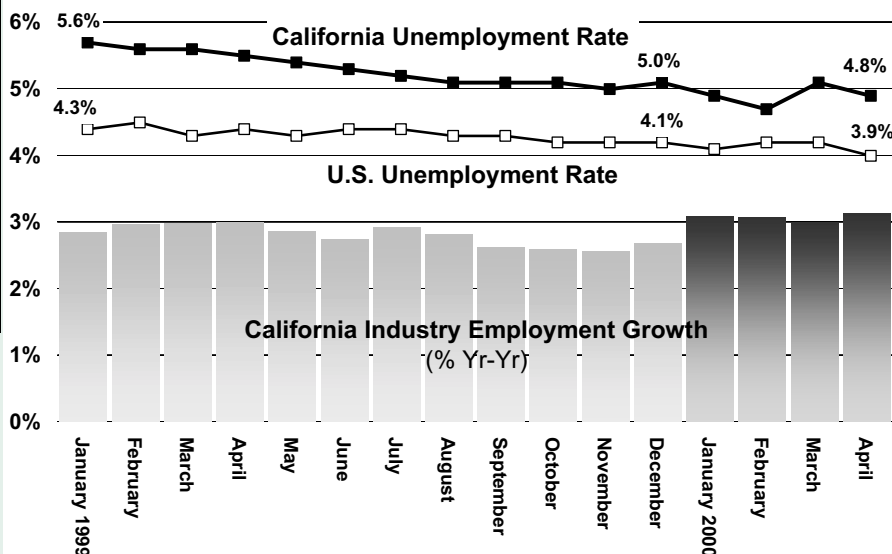
On a March-to-April comparison, construction added 13,200, almost as many as in the large services sector, which gained 18,500 jobs. Within services, business services was the growth

leader, adding 7,200 jobs. Amusement and recreation employment also posted a strong 4,700, or 2.2 percent gain. In anticipation of a television commercial actors' strike that began May 1, some television commercial "shoots" were accelerated, boosting employment in the motion picture industry by 4,100 in April.

### EMPLOYMENT

NONFARM  
EMPLOYMENT  
GREW 3.1%

### Current Employment Situation



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## UNEMPLOYMENT RATE DROPS TO 4.8 PERCENT

— . . . —

## BUILDING ACTIVITY

## MULTI-FAMILY CONSTRUCTION IS LEADING THE WAY

— . . . —

April was an unusual month for government employment. Total public sector employment jumped by 13,200 following March's strong 14,000 increase. The greatest job gain was at the state level, which added 5,500 jobs. Federal employment gains in April totaled 5,000 following a 6,000 expansion in March. However, official payroll employment numbers may understate the actual increase in census-related federal employment gains in California. Local government employment growth, which typically outpaces state and federal employment, was minimal in April, adding only 2,700 jobs, for 0.2 percent growth.

The state's unemployment rate dropped 0.2 of a percent in April to 4.8 percent. Civilian employment posted an exceptionally strong gain of nearly 104,000 in April, following an unusual 39,400 drop in March. The number of persons unemployed fell by 28,000. The state's unemployment rate was 5.4 percent in April 1999.

March and April figures for both the employer-based industry survey and the household survey measuring civilian employment and unemployment, may have been affected by the very late Easter holiday, which is so rare that the effects cannot be captured by regression-based seasonal adjustment programs. Thus, March growth was probably understated, while April's strength in part reflects a catching up.

Construction activity in California thus far in 2000 has been buoyed by multifamily construction, with unit permits up over 23 percent during the first four months of this year, compared to the comparable 1999 period. At the same time, single-family construction growth averaged just over three percent. Nonresidential construction, measured by permit value, also grew during this period.

April construction figures were dampened by a large drop in multifamily permits, following five months of

### Residential Construction Permits Year-Year Percent Change

	Single Family	Multi- Family	Total
November 1999	-8.6	38.8	3.6
December 1999	9.7	30.1	14.5
January 2000	2.4	30.4	10.5
February 2000	-0.4	57.4	13.8
March 2000	1.9	40.1	12.3
April 2000	7.9	-37.2	-3.4

FIGURE TWO

### Residential Construction Growth by Major Region

#### Permit Issuances First Four Months 1999 to 2000

#### STATE TOTAL

Total: 6.9%  
Single-family: 1.0%  
Multifamily: 23.0%

#### SACRAMENTO VALLEY

Total: 11.1%  
Single-family: 4.4%  
Multifamily: 40.3%

#### SAN FRANCISCO BAY AREA

Total: 7.3%  
Single-family: (2.3%)  
Multifamily: 22.3%

#### SAN JOAQUIN VALLEY

Total: 17.2%  
Single-family: 16.0%  
Multifamily: 40.3%

#### CENTRAL COAST

Total: (2.0%)  
Single-family: (4.0%)  
Multifamily: 5.6%

#### SOUTHERN CALIFORNIA

Total: 4.2%  
Single-family: (3.5%)  
Multifamily: 21.8%

30+ percent growth. Given that multifamily unit volume may reflect the influence of a relatively few large-scale projects, the apartment permit data tend to be quite volatile.

Total construction value included in building permits during the first four months of 2000 was 7.5 percent above the same period of 1999. Residential construction value rose 8.8 percent over the year, while nonresidential construction value increased 5.5 percent.

Within the nonresidential category, industrial building construction during the first four

Source: Construction Industry Research Board

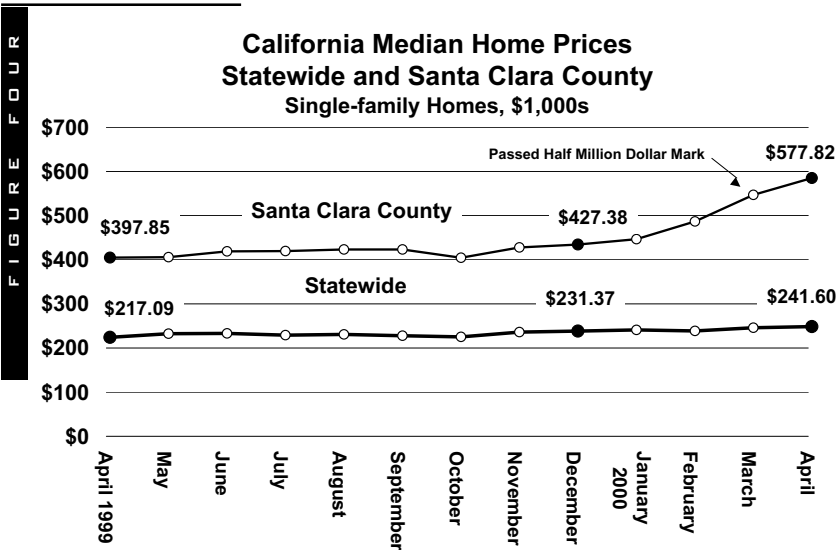
months of the year essentially equaled the same months of 1999. Commercial building construction growth was led by offices, which rose almost 33 percent from the same time last year. Store and mercantile construction grew 21 percent. Hotel/motel, amusement, parking garage, and service station construction dropped.

The Southern California region accounted for more than half of the new housing permits issued during the first four months of 2000. However, the San Joaquin Valley region achieved the fastest growth rate, issuing 17.2 percent more housing permits in January-April of 2000 than during the same months of 1999. Residential construction in the San Francisco Bay Area rose 7.3 percent, despite a 64.5 percent drop in San Francisco itself. Home building in Santa Clara County increased 39.5 percent, based on a dramatic increase in multi-family construction that more than offset a drop in single-family construction. The Central Coast was the only major region that suffered an overall decline in residential construction activity.

Low unemployment and strong income growth overcame escalating home mortgage interest rates to sustain strong housing demand in California. This demand, coupled with very limited inventories in some areas, has pushed home prices into uncharted territory. The median price of an existing single-family house in California reached \$241,600 in April, an 11.6 percent year-over-year increase. California's median home price in April 1999 was \$216,490 and stood at \$231,371 at the end of 1999.

Nowhere is the supply/demand imbalance more pronounced than in Santa Clara County (the Silicon Valley) where the median home price passed the half-million dollar mark in March. Santa Clara's median single-family home price climbed over 12 percent in March and then another 7 percent in April to reach \$577,820—a 45 percent leap from a year earlier.

In addition to rising prices, a limited stock of homes offered for sale contributed to a drop in home sales in April. Sales of existing single-family homes fell to 493,110 units (seasonally adjusted annual rate) in April following March's 562,000 unit sales. The April sales were 7.5 percent less than the number sold in April 1999.



HOME BUILDING IS  
ROBUST IN THE SOUTH  
— . . . —

REAL ESTATE

HOME PRICES REACH  
RECORD HIGHS  
— . . . —

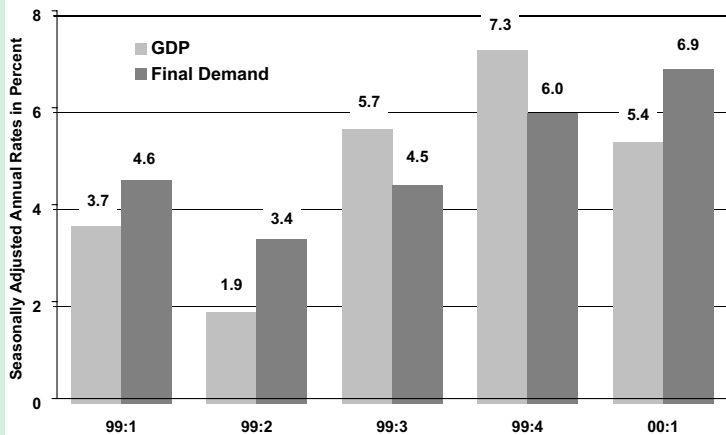
THE NATION

# ECONOMIC FORECAST UPDATE

The following forecast is from the May Revision of the Governor's 2000-01 Budget and is based on information available as of April 19, 2000.

Both the U.S. and California economies continued to post robust gains in the early months of 2000, and there are few signs that growth will slow in the near future. Reflecting this performance, forecasts of most key economic indicators for both the U.S. and California have been revised upward from those in the January Governor's Budget.

**U.S. GDP and Final Demand Growth Rates**



The nation's inflation-adjusted gross domestic product (GDP) grew at a 5.4 percent annual rate in the first quarter, following a 7.3 percent surge in the closing months of 1999. However, the slowdown is considerably less than the overall figure implies. Final sales—excluding volatile changes in business inventories—actually accelerated from 6.0 percent real growth in the fourth quarter to 6.9 percent in the opening months of 2000. Consumer spending—which represents two-thirds of the economy—jumped 8.3 percent at an annual rate, the largest gain since 1983, when the economy was beginning to recover from the long, deep 1980-82 recession. Business fixed investment surged at a 21 percent pace, after rising less than 3 percent in the final quarter of 1999.

Early reports suggest that this strong performance is continuing in the second quarter. In April, the national economy added 340,000 nonfarm jobs, and the unemployment rate fell below 4 percent for the first time in more than 30 years, when the Vietnam War was near its peak. Last month's 3.9 percent jobless rate was the lowest peacetime reading since 1957.

However, the recent surge in growth, coming after a record-breaking nine years of economic expansion, has raised concern among Federal Reserve

policymakers. Even acknowledging a marked improvement in productivity gains—to as much as 3 percent per year—the working-age population is growing only 1 percent annually, implying that sustainable long-term growth should be around 4 percent or slightly less. Yet, over the last three quarters, real GDP has averaged a 6 percent pace.

Adding to policymakers' apprehension is an uptick in key inflation measures. The Employment Cost Index, which measures both wages and benefits, jumped 1.4 percent in the first quarter, the sharpest rise in 11 years. The GDP price index for consumer spending rose 3.2 percent during the period, the largest gain since 1994. With growth exceeding Fed "speed limits" and signs of inflationary pressures now clearly visible, interest rates are likely to rise throughout the remainder of this year, and perhaps into early 2001 as well.

Nonetheless, recent robust growth virtually assures that the year 2000 will prove to be the strongest of this record-breaking expansion, with real GDP advancing almost 5 percent, well above the 3.1 percent pace expected in the Governor's Budget. The impact of higher interest rates can be

**Selected U.S. Economic Indicators**

	Forecast		
	1999	2000	2001
Real gross domestic product, (1996 dollar) (Percent change)	4.2	4.9	3.0
Personal consumption expenditures	5.3	5.1	3.4
Gross private domestic investment	5.8	10.1	2.9
Government purchases of goods and services	3.7	2.9	1.3
GDP deflator (1996=100) (Percent change)	1.5	1.7	1.7
GDP, (Current dollar) (Percent change)	5.7	6.3	4.8
Federal funds rate (Percent)	5.0	6.3	6.7
Personal income (Percent change)	5.9	6.3	5.7
Corporate profits before taxes (Percent change)	8.5	3.2	(7.2)
Nonfarm wage and salary employment (Millions)	128.6	131.6	133.7
(Percent change)	2.2	2.3	1.6
Unemployment rate (Percent)	4.2	3.8	3.8
Housing starts (Millions)	1.7	1.6	1.5
(Percent change)	3.4	(1.7)	(6.6)
New car sales (Millions)	8.7	9.3	8.8
(Percent change)	6.8	7.0	(5.6)
Consumer price index (1982-84=100)	166.6	171.2	175.7
(Percent change)	2.2	2.8	2.6

Forecast based on data available as of April 2000.  
Percent changes calculated from unrounded data.

expected to slow growth late this year and in 2001, but real growth is still forecast at a very respectable 3 percent pace next year. The U.S. forecast is summarized in Figure 6.

In 1999, most Asian economies—Japan was the notable exception—posted strong recoveries from the deep recessions of 1997 and 1998. South Korea led the upsurge and is California's fourth largest foreign market. Mexico, which last year surpassed Japan as the state's largest

FIGURE SEVEN

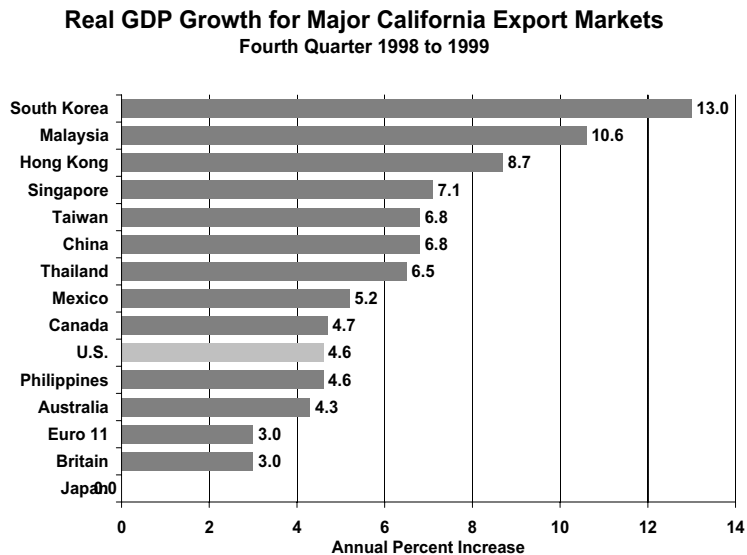


FIGURE EIGHT

### Selected California Economic Indicators

	1999		Forecast			
	1999	Percent Change	2000	Percent Change	2001	Percent Change
Personal income (\$ bill.)	\$1,002.6	7.8%	\$1,077.2	7.4%	\$1,135.3	5.4%
Nonfarm W&S employment (thous.)	14,018	3.1%	14,493	3.4%	14,877	2.6%
Mining	23	-6.7%	22	-4.3%	21	-4.7%
Construction	681	11.5%	752	10.3%	808	7.5%
Manufacturing	1,923	-1.4%	1,929	0.3%	1,943	0.7%
High technology	511	-4.2%	502	-1.8%	504	0.4%
Transportation/utilities	719	3.4%	743	3.3%	759	2.1%
Wholesale & retail trade	3,206	2.6%	3,292	2.7%	3,368	2.3%
Finance group	820	2.5%	836	1.9%	849	1.6%
Services	4,410	4.4%	4,627	4.9%	4,799	3.7%
Government	2,236	3.3%	2,293	2.5%	2,330	1.6%
Unemployment rate	5.2%		4.4%		4.1%	
Housing permits (thous.)	140.9	12.0%	155.8	10.6%	168.6	8.2%
Consumer price index	168.5	2.9%	174.4	3.5%	180.6	3.6%

Forecast based on data available as of April 20, 2000.  
Percent changes calculated from unrounded data.

export destination, is posting solid growth, as is third-ranked Canada. Western Europe and the United Kingdom strengthened from less than 2 percent growth early last year to 3 percent at the end of 1999.

The rebound in Asia, coupled with gains in Mexico, Canada and Europe, has resulted in a significant turnaround in California export volumes. California-made exports rose 9 percent in the second half of last year, after declining for six consecutive quarters. Not surprisingly, sales to East Asia (including Korea, Taiwan, China, Hong Kong and Singapore) surged almost 30 percent. Japan was about flat after two years of sharp declines, and other major areas posted solid gains.

Over the next year, economic conditions in California's major export markets should remain favorable. Mexico is on solid economic ground, the rising peso reflecting strong foreign investment flows not only from the U.S., but also from Asia and Europe. Asia should continue to expand, although not at the breakneck pace of last year. Even Japan should see modest growth in 2000.

## CALIFORNIA

Economic growth in California is even more robust than the national pace. The state added more than a half-million nonfarm payroll jobs between the first quarters of 1999 and 2000, a growth rate of 3.7 percent. The jobless rate in the first quarter averaged 4.7 percent, the lowest ever recorded in the 30 years for which comparable data are available. Homebuilding—particularly multi-family units—continued to increase. Sales tax collections for the first quarter are consistent with 10 percent year-to-year growth in taxable sales. State personal income tax withholding in the first three months of 2000 jumped 20 percent from the early 1999 level, implying that very strong personal income growth continued into the opening months of the new year.

In the forecast, a number of key export industries are expected to benefit from stronger economic growth overseas, including electronics manufacturing, motion pictures, aerospace and agriculture.

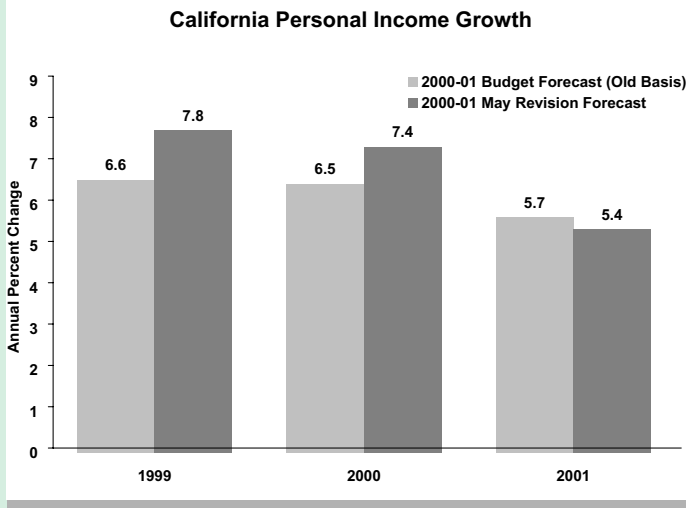
The improved prospects for exports will help offset the effects of the expected slowing in the U.S. economy. Nonfarm employment growth is expected to average 3.4 percent this year, up from 2.9 percent in the Governor's Budget. In 2001, job gains are projected at 2.6 percent, little changed from the 2.5 percent increase in the January Budget. The California forecast is summarized in Figure 8.

The personal income figures used in this forecast have been revised sharply upward from those in the Governor's January Budget. For example, the current estimate of 1999 California personal

income growth is 7.8 percent, compared to 6.6 percent in the January Budget. The forecast for 2000 income growth is boosted to 7.4 percent from 6.5 percent growth in the Governor's Budget. In 2001, the 5.4 percent advance is slightly less than in the Budget forecast.

Payroll tax reports (ES-202) for the second and third quarters—which were not available when the Budget forecast was prepared—indicated much stronger-than-estimated wage and salary growth. In addition, the Department of Finance has attempted to estimate the effects on California personal income of last fall's comprehensive revision to the national income accounts. The new series for the nation exhibits somewhat stronger underlying growth, mainly reflecting conceptual changes in the treatment of public sector pension funds.

FIGURE EIGHT



**The Effect of the Stock Market on Personal Income**—A significant and rising proportion of California General Fund revenue is now generated in the stock market. There are two direct effects of stock market performance on tax revenue—capital gains and the exercise of employee stock options. (There are also important indirect economic and revenue effects on consumer spending, corporate profits and business investment.) However, only stock options are included in personal income, reported as wages and salaries. Capital gains are treated as an increase in household wealth and do not enter the national income accounts.

From Securities and Exchange Commission filings, the Department of Finance estimates that wages from the exercise of stock options totaled \$51 billion in 1999, or 9 percent of total wages and almost 12 percent of taxable wages. That figure is double the 1998 estimate of \$26 billion, and represents a fourfold increase since 1996.

There is little question that 1999 was an extraordinary year for stocks, especially shares of high-technology companies that are heavily concentrated in California. The NASDAQ stock index—where most technology stocks are listed—jumped 86 percent over the course of 1999. Even more impressive was the performance of initial public offerings (IPOs). At initial offering prices, the volume of IPOs of California-based firms shot up fivefold last year, and the aftermarket price—which determines the value of options that are typically exercisable six months after the offering—soared by more than 300 percent over the course of last year, as measured by the Bloomberg IPO index.

The strong stock market performance continued through the early months of 2000, and was no doubt an important factor in the 20 percent jump in personal income tax withholding receipts during the first quarter. More recently, however, markets have faltered. As of May 10, the NASDAQ was 17 percent below the year-end 1999 close, and the Bloomberg IPO index was down more than 25 percent.

Given the renewed uncertainty about the stock market—especially in light of likely Federal Reserve interest rate hikes—the personal income forecast reflects a \$12.4 billion reduction in stock option income. For 2000, employee stock option income is assumed at \$39 billion or a little over 6 percent of total wages. Even at the reduced level, the assumed volume of stock options is still 50 percent higher than in 1998.



## SELECT INDICATORS

### EMPLOYMENT

	2000				1999	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,091	15,987	16,027	15,994	15,631	2.9
Unemployment (000)	808	833	779	800	896	-9.8
Unemployment rate	4.8	5.0	4.6	4.8	5.4	--
Nonagricultural wage and salary employment (000)	14,334.5	14,270.1	14,252.5	14,211.5	13,900.0	3.1
Mining	23.7	23.5	23.6	23.9	24.1	-1.7
Construction	729.3	716.1	720.1	713.3	668.3	9.1
Manufacturing	1,923.2	1,920.0	1,921.9	1,921.3	1,924.6	-0.1
High technology a/	496.8	497.7	499.3	500.5	515.6	-3.6
Aircraft and parts	77.7	78.9	79.4	80.2	86.1	-9.8
Missiles and space vehicles	21.0	21.3	21.6	21.8	23.2	-9.5
Search and navigation equipment	50.9	51.2	51.4	51.2	54.4	-6.4
Computer and office equipment	91.9	92.0	92.2	92.6	97.7	-5.9
Communications equipment	38.9	38.8	39.2	39.2	39.8	-2.3
Electronic components	152.9	152.3	152.1	152.4	152.1	0.5
Measuring and controlling devices	63.5	63.2	63.4	63.1	62.3	1.9
Transportation and public utilities	741.3	739.4	738.3	735.5	717.6	3.3
Trade	3,262.3	3,246.9	3,246.7	3,228.5	3,178.4	2.6
Finance, insurance and real estate	828.3	829.5	831.1	829.1	818.8	1.2
Services	4,519.1	4,500.6	4,490.7	4,484.8	4,336.7	4.2
Government	2,307.3	2,294.1	2,280.1	2,275.1	2,231.5	3.4

### HOURS & EARNINGS

<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	41.7	41.3	41.0	41.3	41.6	0.2
Average weekly earnings	\$587.97	\$581.09	\$576.05	\$581.92	\$575.74	2.1
Average hourly earnings	\$14.10	\$14.07	\$14.05	\$14.09	\$13.84	1.9

### CONSUMER PRICES

<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	173.6	n.a.	171.9	n.a.	168.8	2.8
San Francisco CMSA	178.6	n.a.	176.5	n.a.	172.2	3.7
Los Angeles CMSA	170.6	170.6	169.2	167.9	166.6	2.4
Urban Wage Earners and Clerical Workers Series						
California Average	167.0	n.a.	165.3	n.a.	162.6	2.7
San Francisco CMSA	174.8	n.a.	172.5	n.a.	168.8	3.6
Los Angeles CMSA	163.9	163.9	162.4	161.2	160.1	2.4

### CONSTRUCTION

<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) b/	133.7	157.4	160.4	168.3	138.4	-3.4
Single units	112.0	103.7	105.8	108.7	103.8	7.9
Multiple units	21.8	53.7	54.7	59.6	34.6	-37.2
Residential building authorized valuation (millions) c/	\$2,066	\$2,401	\$2,464	\$2,417	\$2,063	0.1
Nonresidential building authorized valuation (millions) c/	\$1,199	\$1,452	\$1,512	\$1,550	\$1,201	-0.1
Nonresidential building authorized valuation (millions) d/	\$1,265	\$1,534	\$1,191	\$1,318	\$1,269	-0.3
Commercial	382	512	372	535	468	-18.5
Industrial	188	168	150	158	123	53.4
Other	142	191	137	145	183	-22.6
Alterations and additions	554	663	532	480	495	11.9

### AUTO SALES

<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	142,061	150,284	151,672	151,771	132,268	7.4

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

**SELECT  
INDICATORS  
(CONTINUED)**

**VACANCY RATES**

**Vacancy Rates for Fourth Quarter 1999**

(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	14.0	31.2	10.9	10.5
Oakland-East Bay	7.6	10.5	6.9	--
Sacramento	7.9	6.2	8.5	8.6
San Francisco	2.0	2.7	1.2	6.7
San Jose	4.5	5.6	4.2	--
Southern California:				
Bakersfield	22.0	12.3	27.1	--
Los Angeles	12.3	18.5	10.9	7.9
Orange County	11.4	--	11.4	--
San Diego	7.9	9.4	7.5	7.8
Ventura County	13.2	--	13.2	--
National Average	9.5	8.4	10.1	8.1

**HOME PRICES**

**Median Price of Existing Single-family Homes**

1999

2000

Jan	\$202,201	Jul	221,370	Jan	\$233,947
Feb	197,870	Aug	222,950	Feb	231,706
Mar	212,330	Sep	220,330	Mar	238,870
Apr	217,090	Oct	219,140		
May	225,280	Nov	221,890		
Jun	226,140	Dec	221,500		

**LEADING  
INDICATORS/A**

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.8	41.6	66,092	4,679	92.9
	Feb	4.8	41.8	56,785	4,347	124.2
	Mar	5.1	42.1	59,609	3,578	94.5
	Apr	5.0	41.9	59,107	4,061	103.3
	May	5.0	41.9	60,324	4,456	108.8
	Jun	5.0	41.9	63,124	4,405	108.7
	Jul	4.9	41.9	62,356	4,740	114.1
	Aug	5.0	42.0	62,326	4,213	114.0
	Sep	4.9	41.8	62,989	4,751	118.2
	Oct	4.9	42.0	61,242	4,681	131.4
	Nov	5.0	42.2	59,120	4,386	115.4
	Dec	5.2	42.1	58,601	4,815	109.3
1998	Jan	5.2	42.2	57,572	4,676	113.1
	Feb	5.0	41.9	60,703	4,543	116.2
	Mar	4.9	41.9	57,883	4,621	119.1
	Apr	4.5	41.1	58,845	5,275	116.1
	May	4.8	41.9	57,980	4,454	119.5
	Jun	4.9	41.9	54,154	4,777	148.3
	Jul	4.7	42.1	54,407	4,844	120.1
	Aug	4.6	41.7	53,096	4,357	135.8
	Sep	4.4	41.3	49,321	3,732	121.9
	Oct	4.7	41.8	53,693	4,617	132.8
	Nov	4.6	41.7	54,886	4,682	136.9
	Dec	4.6	41.8	54,275	4,602	129.5
1999	Jan	4.7	42.2	51,629	4,899	151.2
	Feb	4.7	41.9	53,117	5,023	140.4
	Mar	4.6	41.9	53,132	6,068	139.1
	Apr	4.7	41.9	53,377	5,371	138.4
	May	4.9	42.1	50,748	5,189	137.7
	Jun	4.8	41.9	51,006	5,621	150.1
	Jul	4.5	41.9	52,447	5,321	143.0
	Aug	4.5	41.5	49,824	5,783	136.8
	Sep	4.5	41.2	49,920	5,816	127.0
	Oct	4.8	41.6	48,707	5,534	128.0
	Nov	4.8	41.5	52,157	5,960	143.7
	Dec	4.9	41.5	45,043	6,471	145.2
2000	Jan	5.0	41.6	51,360	6,475	168.3
	Feb	4.9	41.3	47,231	6,715	160.4
	Mar	4.9	41.3	47,618	n.a.	157.4
	Apr	5.2	42.0	46,225	n.a.	133.7

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available



# COINCIDENT INDICATORS/<sup>a</sup>

## EMPLOYMENT, UNEMPLOYMENT

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	449
	Feb	12,968	1,887	6.5	410
	Mar	13,017	1,895	6.4	378
	Apr	13,080	1,899	6.4	399
	May	13,096	1,905	6.3	371
	Jun	13,129	1,913	6.3	384
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	375
	Sep	13,220	1,927	6.2	385
	Oct	13,253	1,933	6.2	383
	Nov	13,263	1,942	6.1	372
	Dec	13,332	1,952	6.1	381
1998	Jan	13,405	1,954	6.0	342
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	369
	Apr	13,495	1,960	6.0	369
	May	13,537	1,965	6.0	360
	Jun	13,578	1,962	5.9	359
	Jul	13,604	1,946	5.9	349
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	5.9	358
	Oct	13,728	1,944	5.8	329
	Nov	13,768	1,937	5.8	351
	Dec	13,801	1,933	5.7	351
1999	Jan	13,786	1,925	5.6	362
	Feb	13,827	1,923	5.5	367
	Mar	13,856	1,924	5.5	377
	Apr	13,900	1,925	5.4	365
	May	13,925	1,924	5.3	381
	Jun	13,948	1,923	5.2	384
	Jul	14,002	1,922	5.1	348
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	369
	Oct	14,084	1,924	5.0	339
	Nov	14,121	1,923	4.9	343
	Dec	14,171	1,925	5.0	323
2000	Jan	14,212	1,921	4.8	362
	Feb	14,253	1,922	4.6	346
	Mar	14,270	1,920	5.0	353
	Apr	14,335	1,923	4.8	338

## INCOME, WAGES, TAXABLE SALES

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	737,678	85,168	72,857
	Qtr II	752,820	86,492	74,983
	Qtr III	760,687	87,799	75,964
	Qtr IV	765,892	88,762	76,901
1996	Qtr I	786,401	93,690	79,237
	Qtr II	791,576	90,948	80,184
	Qtr III	795,922	90,009	80,345
	Qtr IV	818,180	95,666	81,202
1997	Qtr I	826,792	99,871	83,079
	Qtr II	836,688	101,755	84,942
	Qtr III	849,492	103,650	85,985
	Qtr IV	871,098	106,328	87,745
1998	Qtr I	881,347	108,143	87,561
	Qtr II	892,438	110,432	89,118
	Qtr III	903,909	111,517	90,731
	Qtr IV	939,716	118,130	91,222
1999	Qtr I	929,874	115,903	94,066
	Qtr II	953,614	119,434	97,118
	Qtr III	978,424	125,988	99,687
	Qtr IV	1,023,675	129,261	100,952

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

## OTHER INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
\$ millions		% of U.S.	\$ millions		% of U.S.	\$ millions		\$ millions	
1981-82	22,685	21.8	1990-91	24,265	19.5	1999		2000	
1982-83	26,387	22.2	1991-92	23,843	21.2	Jan	23,484	Jan	27,067
1983-84	28,520	23.0	1992-93	22,952	20.1	Feb	23,751	Feb	27,883
1984-85	29,115	20.8	1993-94	22,573	20.5	Mar	26,988	Mar	31,957
1985-86	27,738	20.4	1994-95	18,277	16.8	Apr	25,670		
1986-87	24,515	18.4	1995-96	18,230	16.7	May	25,717		
1987-88	23,458	18.7	1996-97	18,477	17.3	Jun	27,897		
1988-89	23,125	19.3	1997-98	17,401	15.9	Jul	27,901		
1989-90	22,312	18.4	1998-99	17,372	15.1	Aug	28,956		
						Sep	29,764		
						Oct	30,408		
						Nov	30,131		
						Dec	30,252		

a/ U.S. fiscal year: October through September

## TECHNICAL NOTE

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

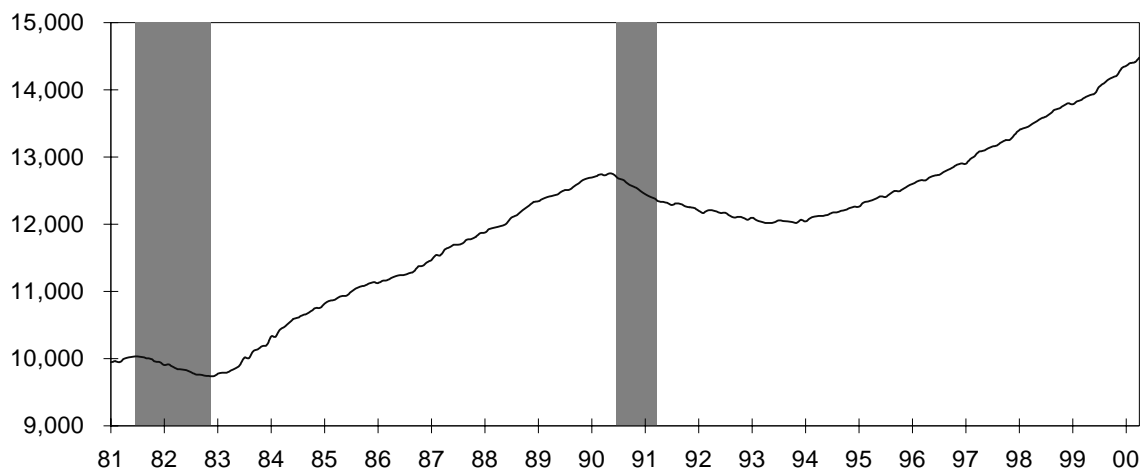
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

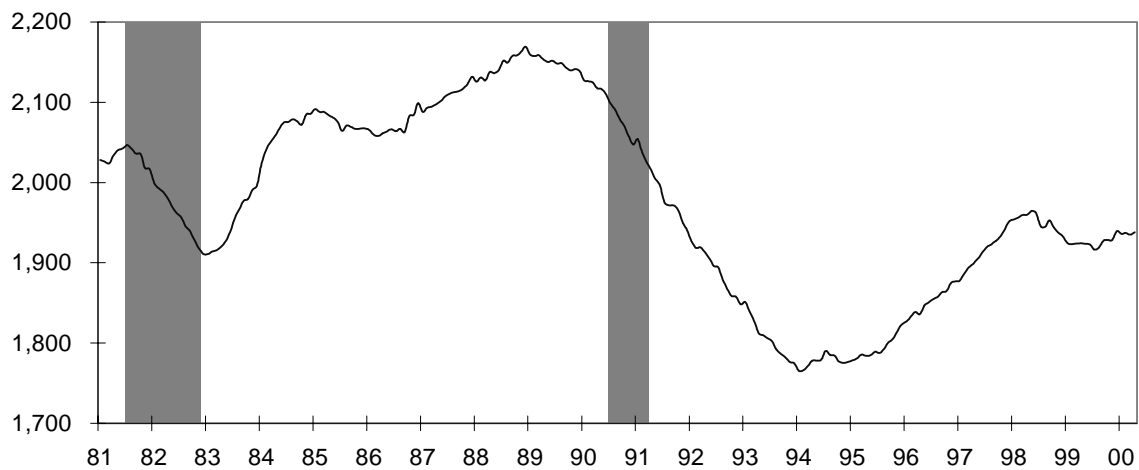
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

## NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



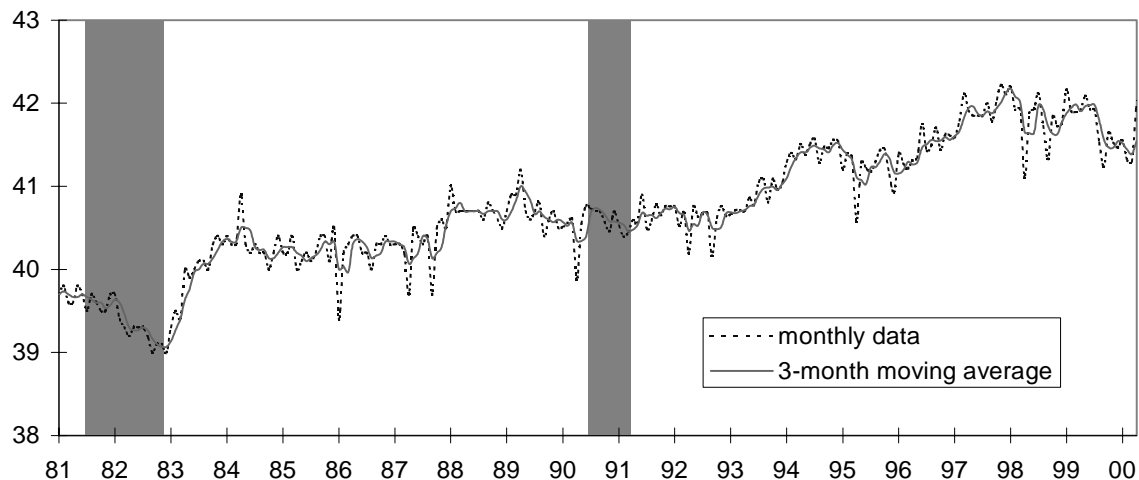
# MANUFACTURING EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)

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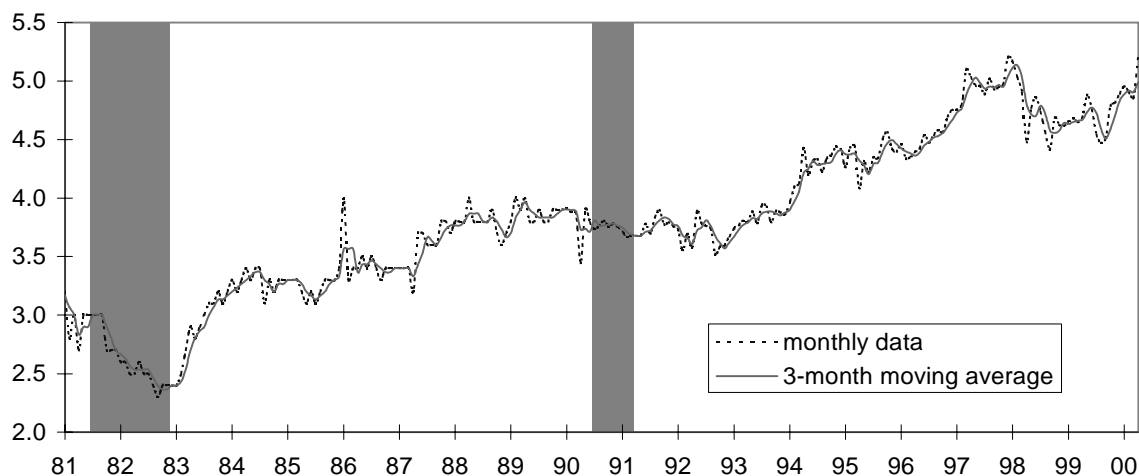
# AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

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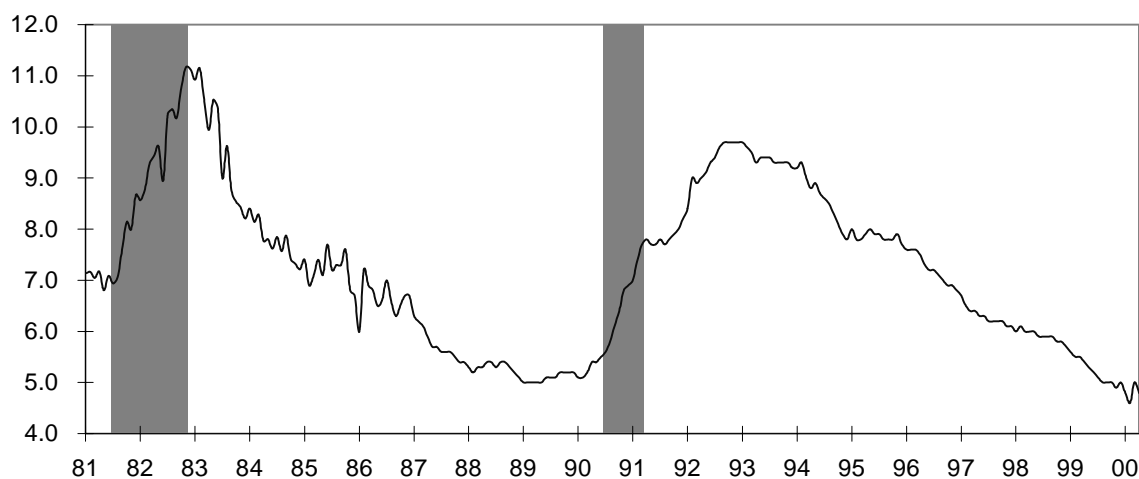
# AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —



# UNEMPLOYMENT RATE (PERCENT)

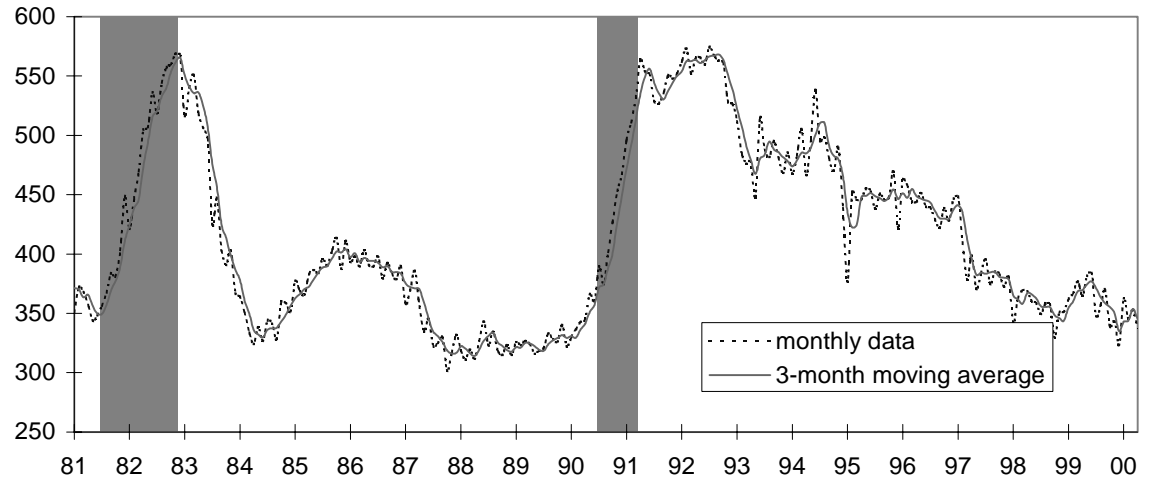
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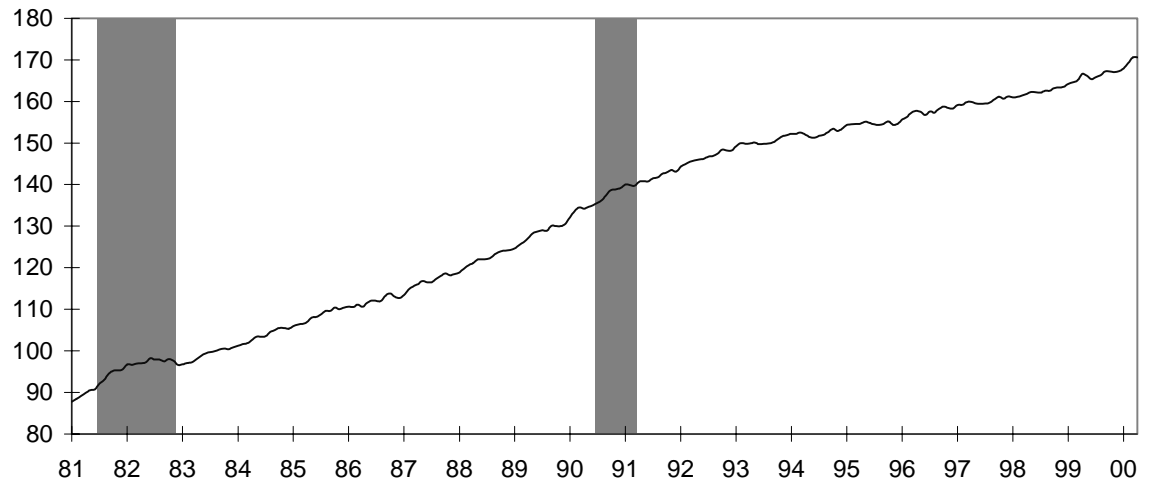
**INITIAL &  
TRANSITIONAL CLAIMS  
FOR UNEMPLOYMENT  
INSURANCE**  
(WEEKLY AVERAGE,  
SEASONALLY ADJUSTED)



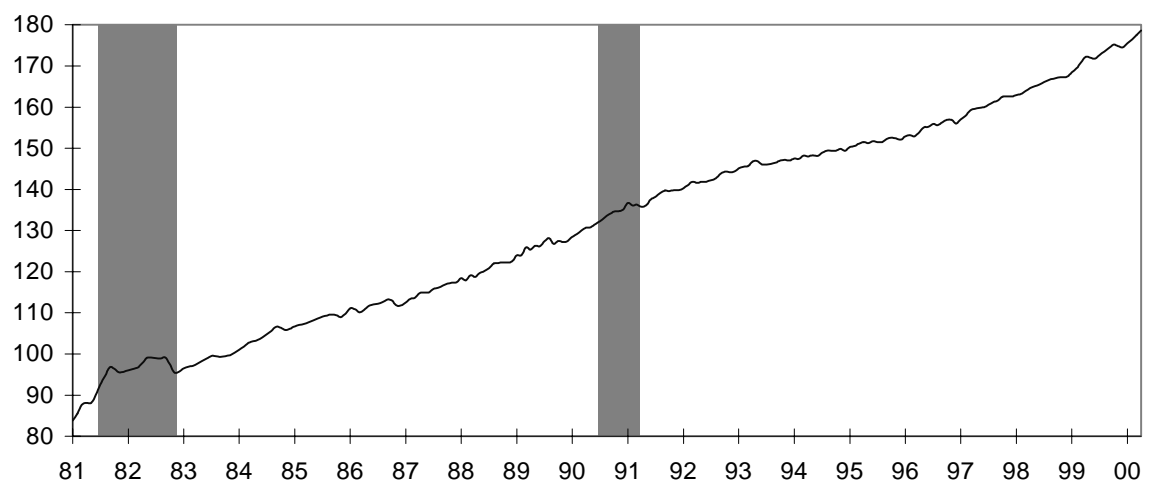
**UNEMPLOYMENT,  
AVERAGE WEEKS  
CLAIMED**  
(THOUSANDS, SEASONALLY  
ADJUSTED)



**CONSUMER PRICE  
INDEX, LOS ANGELES**  
(1982-84=100)



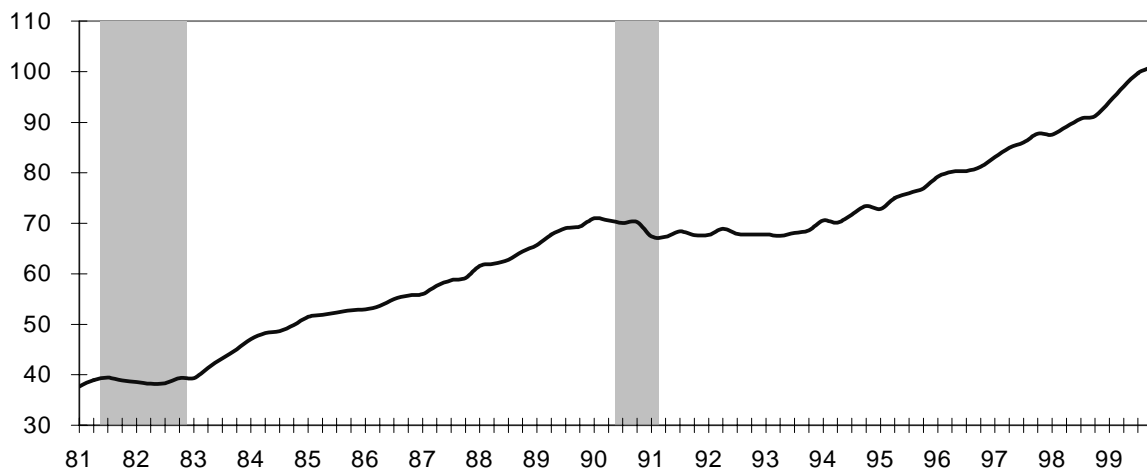
**CONSUMER PRICE  
INDEX,  
SAN FRANCISCO**  
(1982-84=100)



# TAXABLE SALES

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

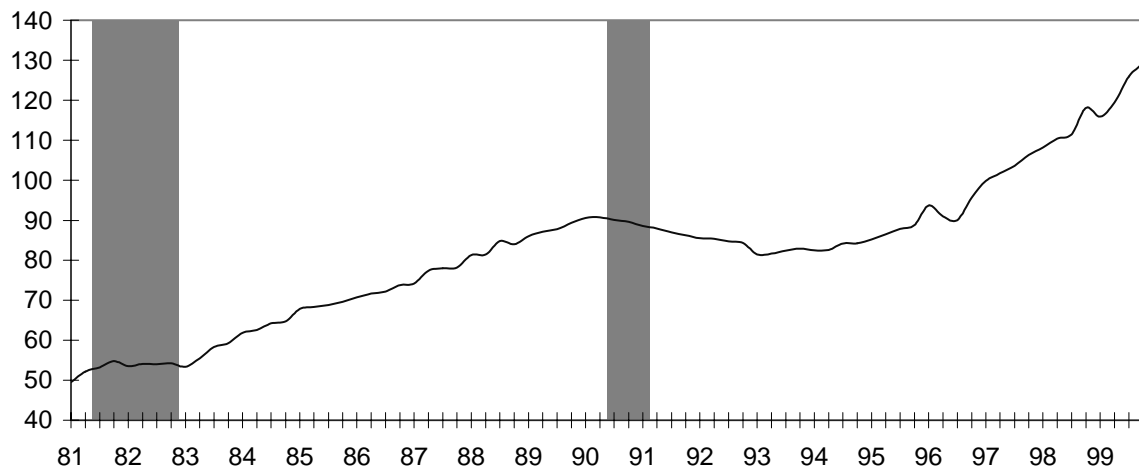
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# WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

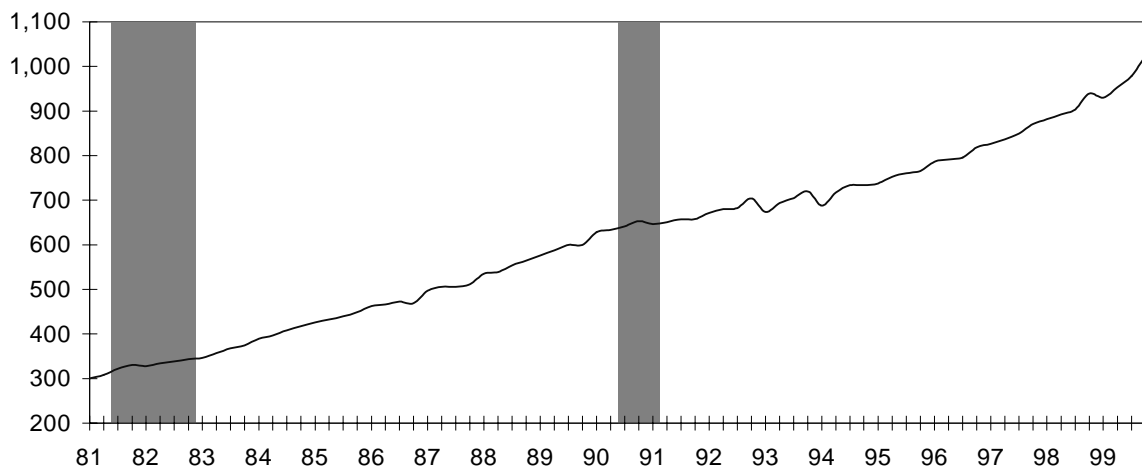
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# PERSONAL INCOME

(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

— . . . —



# NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY  
ADJUSTED AT ANNUAL RATE)

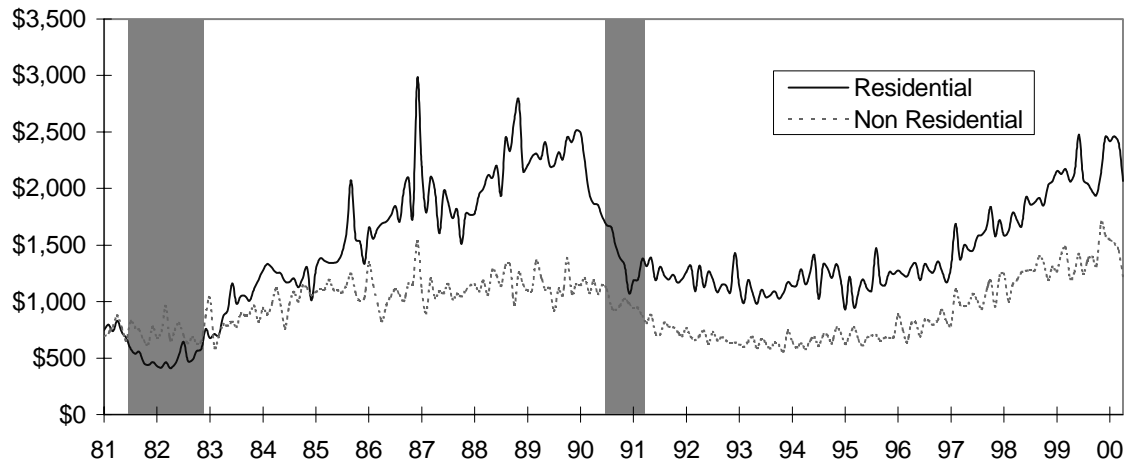
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## RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)

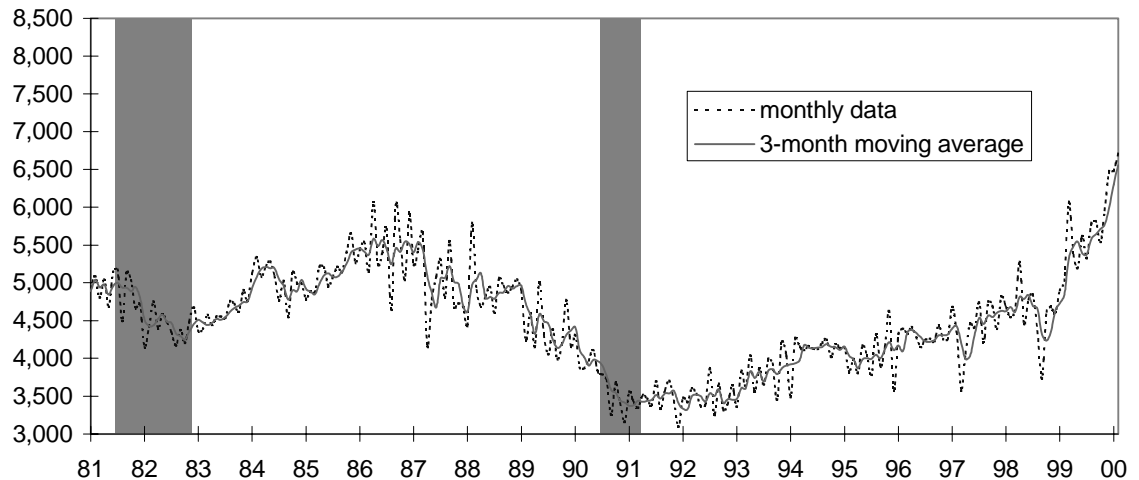
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## NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)

— . . . —



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

### 1999

January 1

A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.

January 13

Brazil devalues its currency sending U.S. stocks into a free fall.

January 21

The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.

March 22

OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.

March 29

Dow Jones Industrial average topped the 10,000 mark.

April 9

The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.

June 29

Federal funds rate raised from 4.75 to 5.00 percent.

July 28

GDP rose 2.3 percent in second quarter.

August 24

Federal funds rate raised from 5.00 to 5.25 percent.

Discount rate raised from 4.50 to 4.75 percent.

September 21

A 7.6 magnitude earthquake hits Taiwan.

September 30

In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.

September 30

Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.

October 4

MCI WorldCom to buy Sprint.



<b>October 13</b>	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
<b>October 15</b>	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.
<b>October 27</b>	GDP for third quarter grew at 4.8 percent, 2 <sup>nd</sup> quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.
<b>November 1</b>	Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20 <sup>th</sup> century.
<b>November 2</b>	Nasdaq closed above the 3000 mark for the first time. Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.
<b>November 16</b>	Federal funds rate raised from 5.25 to 5.50 percent. Discount rate raised from 4.75 to 5.00 percent.
<b>November 17</b>	Crude-oil futures hit an almost nine-year high, rising 90 cents to \$26.60 a barrel.
<b>November 24</b>	Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.
<b>November 30</b>	Exxon and Mobil merger approved by federal regulators.
<b>December 2</b>	The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.
<b>December 17</b>	Pharmacia and Monsanto agreed to merge.
<b>December 22</b>	Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.
<b>December 29</b>	Nasdaq closed above the 4000 mark for the first time.
<b>2000</b>	
<b>January 27</b>	Fourth quarter GDP grew at an annual rate of 5.8 percent.
<b>February 2</b>	Federal funds rate raised from 5.50 percent to 5.75 percent. Discount rate raised from 5.00 percent to 5.25 percent.
<b>February 4</b>	The nation's jobless rate at 4 percent is lowest in 3 decades.
<b>February 7</b>	Pfizer Inc. and Warner-Lambert Co complete merger deal.
<b>March 20</b>	Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history. Crude oil prices drop below \$30 a barrel.
<b>March 21</b>	Federal funds rate raised from 5.75 percent to 6.0 percent. Discount rate raised from 5.25 percent to 5.50 percent.
<b>March 30</b>	GDP growth rate for 4 <sup>th</sup> quarter was revised upward to 7.3 percent, its strongest pace since 1984.
<b>April 7</b>	President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.
<b>April 10</b>	Wells Fargo & Co agreed to acquire First Security Corporation of Utah.
<b>April 27</b>	First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years. Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.

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